

**TED LODDEN'S NOTES FOR IASB**

**First of all I would like to commend the Board for addressing the whistleblowers complaints and dealing with the issues with objectivity, diligence, honesty, and integrity.**

- The Audit for June 30, 2009 year was just completed
- All of the following were factors which extended the field work ending date:
  - No financial statements for the subsequent period
  - No personnel to reconcile, explain procedures, or obtain adequate documentation
  - Just completed review of Payschools, interest rate swap on loan and review of federal audit documentation - extends the data of field work
  - Whistleblowers complaints had to be investigated
- Anything happening subsequently during that period is a finding for this audit.

**Perfect Storm – This was a Perfect Storm of Negative Situations**

- A couple of hires of key people that did not work out
- Economic conditions – ISJIT – No margin on investments and thus - no room for fees.
- No financial statements – no basis to make decisions
  - e.g. – health insurance business was transitioned to Reynolds & Reynolds
  - Reduced fee income for other services, because of economic conditions with members
- No attention to communication
  - For example, the former executive was looking to pass-off the Skills Iowa program, so not listening to personnel or they would have known not to do the double draw down.

**Board Has Reacted Appropriately**

- The Executive Director is putting internal controls in place
  - The Association has reduced staff
  - Actions are being taken to correct policies and procedures as outlined in the federal audit
  - All recommendations have been responded to and we have accepted these responses
  - Board has instructed us to provide all information requested by the FBI, IRS and other agencies and we have done so
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**There Have Been Allegations of Wrong doing**

- We have reported to you all that we discovered in the federal report
- We have expanded our normal scope on audits to address some allegations:
  - Selected individuals – printed out all transactions on that individual and looked at those transactions
  - Looked at all transactions in the federal audit
- We didn't find any smoking guns

**IJUMP**

- The losses were due to underbilling the schools and not due to hedging – we will issue a white paper on this

**Scope Limitation**

- There is a scope limitation in the audit report. Due to the fact that the Executive Director(s) and CFO(s) who should take responsibility for the financial statement presented are no longer with the organization, we could not receive the required representation letter from the organization and thus we disclosed that fact in the report.